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**U.S. House of Representatives**  
**Committee on Financial Services**  
2129 Rayburn House Office Building  
Washington, DC 20515

August 30, 2006

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The Honorable Henry M. Paulson, Jr.  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Dear Secretary Paulson:

Since assuming your new position, I commend the efforts you have made to hold discussions with the various Members and Administration officials working on regulatory reform for the government-sponsored enterprises (GSEs). With the second session of the 109th Congress rapidly drawing to a close, I want to urge you to redouble those efforts, as the number of legislative working days in the Senate is dwindling quickly.

I have been encouraged by my recent discussions with you, as well as signs of flexibility shown by OFHEO Director James Lockhart. Of course, throughout this process, I have indicated my flexibility in conducting a meaningful conference committee once the full Senate acts and finding middle ground on portfolio limits and other issues.

Our goal should be to enact robust GSE regulatory reform legislation and to send it to President Bush this year. The legislation passed by the House in October of 2005, for the first time, deals comprehensively with GSE reform. It is the strongest reform legislation that will ever pass the House, absent a conference report. We resolved the vast majority of the difficult issues, and, as a result, our legislation passed both the Financial Services Committee and the House of Representatives by overwhelming bipartisan majorities. While I can't predict the future, indications are that these next few weeks provide a unique opportunity that likely will never be repeated.

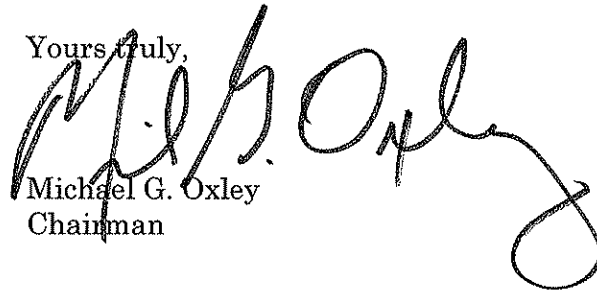
As each day passes without news of progress on the other side of the Capitol that will allow the full Senate to act, the likelihood increases that the Congress could close without addressing the serious inadequacies of the current regulatory system and without protecting taxpayers, investors, and the markets. I would urge you to continue to seek a strong compromise and Senate action.

The Honorable Henry M. Paulson, Jr.

Page 2

Thank you for your continued leadership on behalf of the Administration on this issue. There is everything to be gained by acting and much to be lost by further delay.

Yours truly,

A handwritten signature in black ink, appearing to read "M. G. Oxley", written in a cursive style.

Michael G. Oxley  
Chairman

cc: The Honorable Barney Frank  
The Honorable Richard H. Baker